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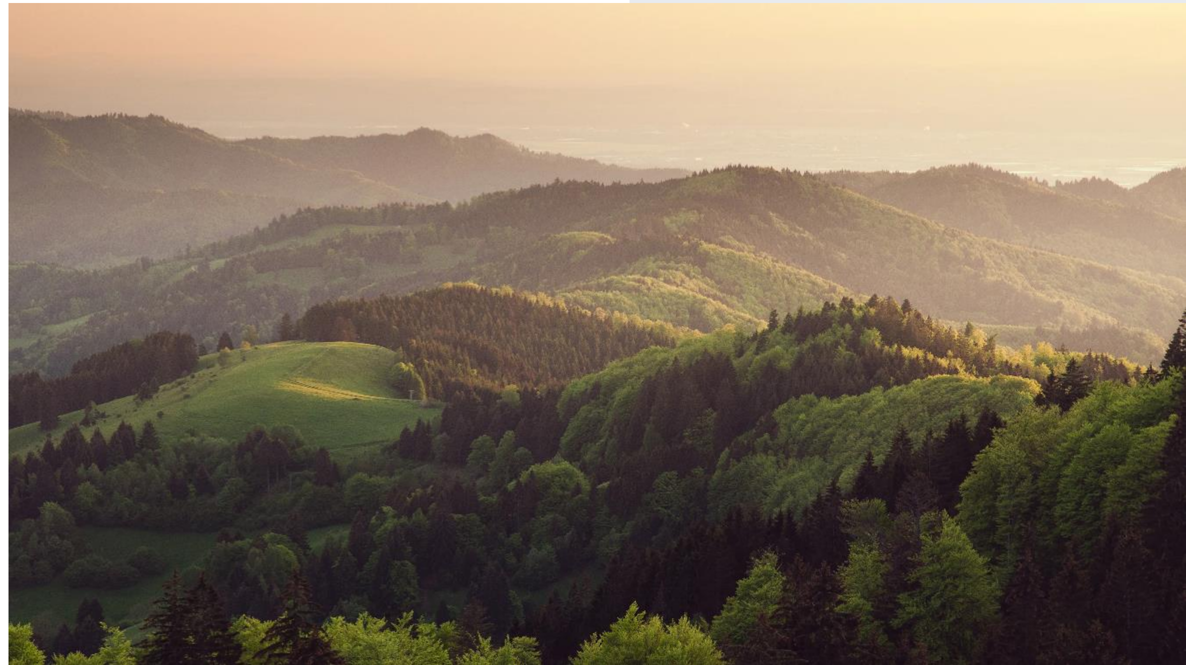
Carbon Offsets vs Carbon Credits

Understanding the Basics



What are Carbon Credits & Offsets?

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Carbon credits and offsets function as accounting tools designed to balance the scales of carbon emissions. The core principle is that because CO2 has the same impact on the atmosphere regardless of where it is emitted or reduced, the location of emissions reduction is less important than the act itself.

For both individuals and companies, it is often more cost-effective to achieve emissions reductions where it is most affordable and feasible, even if those reductions occur outside their operations.

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Carbon Credits

Carbon credits limit emissions by providing a financial incentive for companies to reduce their carbon footprint. Carbon credits are typically part of a regulatory system created by governments and are usually only traded by companies and governments.

Carbon Offsets

Carbon Offsets are a way to reduce the amount of carbon dioxide in the atmosphere by removing it through projects like renewable energy or tree planting. Carbon offsets are voluntary and can be purchased by individuals, small businesses, and large corporations.

Similarities

At their core, both carbon credits and offsets represent measurable reductions or removals of greenhouse gas (GHG) emissions that counterbalance CO2 emissions generated elsewhere.

Despite differences in how they are generated or used, these instruments share fundamental characteristics. Each carbon credit or offset represents the avoidance, reduction, or removal of one tonne of carbon dioxide (CO2) or its equivalent in other greenhouse gases. This standardized measurement ensures consistency in quantifying and trading emissions reductions.

Once a carbon credit or offset is purchased and applied to offset emissions, it is "**retired**," meaning it cannot be sold, traded, or reused again.

Retirement ensures the integrity of the carbon accounting process and prevents double-counting emissions reductions. Both instruments also rely on robust verification and certification processes to confirm that emissions reductions are real, additional (beyond what would have occurred otherwise), and permanent, further ensuring credibility and transparency in their use.[1]

Key Takeaway!	"Each carbon credit or offset represents the avoidance, reduction, or removal of one tonne of carbon dioxide (CO2) or its equivalent in other greenhouse gases."

[1] https://carboncredits.com/carbon-credits-vs-carbon-offsets-whats-the-difference/

Controversies

- Some projects don't genuinely result in extra emissions reductions.
- Reductions are sometimes claimed by multiple parties.
- Verifying the legitimacy of credits can be unclear.
- Some initiatives fail to deliver promised results.
- Projects like reforestation can lose their impact (e.g., due to wildfires).
- Companies may use offsets to avoid reducing their own emissions.
- Oversupply of low-quality credits reduces their overall value.
- Some projects negatively affect local communities.
- Credits focus on short-term fixes, not long-term solutions.

How can carbon-intensive companies obtain these and work towards net zero emissions?

As a corporation, we would likely require "both", but it all depends on the business goals, while it is unavailable to a common consumer – instead can purchase carbon offsets.

Oil and Gas Companies?

For oil and gas companies, focusing on internal emissions reductions helps address climate challenges while improving efficiency and compliance with evolving regulations like carbon taxes. Identifying and reducing hotspots, such as methane leaks or flaring, lowers emissions, cuts costs, and enhances operational performance.

These efforts also strengthen the company's reputation with stakeholders by demonstrating accountability and leadership in climate action. Prioritizing direct reductions ensures alignment with global climate goals, mitigates the risk of stranded assets, and supports long-term competitiveness in a low-carbon economy.

Driving Internal Emissions Reductions for Lasting Climate Impact

Meaningful emission reductions start within a company's operations, using data-driven tools to identify and address emission hotspots while fostering a sustainability culture. True climate leadership comes from prioritizing operational improvements over relying solely on carbon credits and offsets.